
HOUSE BILL 2335

State of Washington

55th Legislature

1998 Regular Session

By Representatives B. Thomas, Mulliken, Thompson, Morris, Gardner, Linville, Backlund, Cooke, Carrell, Kastama, Schoesler, Van Luven, Dunn and Lambert; by request of Department of Revenue

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1 AN ACT Relating to consolidating business and occupation tax rates
2 into fewer categories; amending RCW 48.14.080, 82.04.240, 82.04.250,
3 82.04.260, 82.04.270, and 82.04.440; adding a new section to chapter
4 82.04 RCW; creating a new section; and providing an effective date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 48.14.080 and 1993 sp.s. c 25 s 602 are each amended
7 to read as follows:

8 As to insurers, other than title insurers and taxpayers under RCW
9 48.14.0201, the taxes imposed by this title shall be in lieu of all
10 other taxes, except taxes on real and tangible personal property,
11 excise taxes on the sale, purchase or use of such property, and the tax
12 imposed in RCW 82.04.260(~~(+15)~~) (12).

13 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04 RCW
14 to read as follows:

15 This chapter does not apply to amounts received from buying wheat,
16 oats, dry peas, dry beans, lentils, triticale, canola, corn, rye, and
17 barley, but not including any manufactured products thereof, and
18 selling the same at wholesale.

1 **Sec. 3.** RCW 82.04.240 and 1993 sp.s. c 25 s 102 are each amended
2 to read as follows:

3 Upon every person except persons taxable under RCW 82.04.260 (1),
4 ~~(2), ((3), (7))~~ (4), (5), ~~((7), (8), or (9))~~ or (6) engaging within
5 this state in business as a manufacturer; as to such persons the amount
6 of the tax with respect to such business shall be equal to the value of
7 the products, including byproducts, manufactured, multiplied by the
8 rate of 0.484 percent.

9 The measure of the tax is the value of the products, including
10 byproducts, so manufactured regardless of the place of sale or the fact
11 that deliveries may be made to points outside the state.

12 **Sec. 4.** RCW 82.04.250 and 1993 sp.s. c 25 s 103 are each amended
13 to read as follows:

14 (1) Upon every person except persons taxable under RCW
15 82.04.260~~((8))~~ (5) or subsection (2) of this section engaging within
16 this state in the business of making sales at retail, as to such
17 persons, the amount of tax with respect to such business shall be equal
18 to the gross proceeds of sales of the business, multiplied by the rate
19 of 0.471 percent.

20 (2) Upon every person engaging within this state in the business of
21 making sales at retail that are exempt from the tax imposed under
22 chapter 82.08 RCW by reason of RCW 82.08.0261, 82.08.0262, or
23 82.08.0263, as to such persons, the amount of tax with respect to such
24 business shall be equal to the gross proceeds of sales of the business,
25 multiplied by the rate of 0.484 percent.

26 **Sec. 5.** RCW 82.04.260 and 1998 c . . . s 3 (section 3 of
27 Z-1031.7/98) are each amended to read as follows:

28 ~~(1) ((Upon every person engaging within this state in the business
29 of buying wheat, oats, dry peas, dry beans, lentils, triticale, canola,
30 corn, rye and barley, but not including any manufactured products
31 thereof, and selling the same at wholesale; the tax imposed shall be
32 equal to the gross proceeds derived from such sales multiplied by the
33 rate of 0.011 percent.~~

34 ~~(2))~~ Upon every person engaging within this state in the business
35 of manufacturing:

36 (a) Wheat into flour, barley into pearl barley, soybeans into
37 soybean oil, canola into canola oil, canola meal, or canola byproducts,

1 or sunflower seeds into sunflower oil; as to such persons the amount of
2 tax with respect to such business shall be equal to the value of the
3 flour, pearl barley, oil, canola meal, or canola byproduct
4 manufactured, multiplied by the rate of 0.138 percent;

5 (b) Seafood products which remain in a raw, raw frozen, or raw
6 salted state at the completion of the manufacturing by that person; as
7 to such persons the amount of tax with respect to such business shall
8 be equal to the value of the products manufactured, multiplied by the
9 rate of 0.138 percent; and

10 (c) By canning, preserving, freezing, processing, or dehydrating
11 fresh fruits and vegetables, or selling at wholesale fresh fruits and
12 vegetables canned, preserved, frozen, processed, or dehydrated by the
13 seller and sold to purchasers who transport in the ordinary course of
14 business the goods out of this state; as to such persons the amount of
15 tax with respect to such business shall be equal to the value of the
16 products canned, preserved, frozen, processed, or dehydrated multiplied
17 by the rate of 0.138 percent. As proof of sale to a person who
18 transports in the ordinary course of business goods out of this state,
19 the seller shall annually provide a statement in a form prescribed by
20 the department and retain the statement as a business record.

21 ~~((3))~~ (2) Upon every person engaging within this state in the
22 business of splitting or processing dried peas; as to such persons the
23 amount of tax with respect to such business shall be equal to the value
24 of the peas split or processed, multiplied by the rate of ((0.275))
25 0.138 percent.

26 ~~((4) Upon every person engaging within this state in the business~~
27 ~~of manufacturing seafood products which remain in a raw, raw frozen, or~~
28 ~~raw salted state at the completion of the manufacturing by that person;~~
29 ~~as to such persons the amount of tax with respect to such business~~
30 ~~shall be equal to the value of the products manufactured, multiplied by~~
31 ~~the rate of 0.138 percent.~~

32 ~~(5) Upon every person engaging within this state in the business of~~
33 ~~manufacturing by canning, preserving, freezing, processing, or~~
34 ~~dehydrating fresh fruits and vegetables, or selling at wholesale fresh~~
35 ~~fruits and vegetables canned, preserved, frozen, processed, or~~
36 ~~dehydrated by the seller and sold to purchasers who transport in the~~
37 ~~ordinary course of business the goods out of this state; as to such~~
38 ~~persons the amount of tax with respect to such business shall be equal~~
39 ~~to the value of the products canned, preserved, frozen, processed, or~~

1 dehydrated multiplied by the rate of 0.33 percent. As proof of sale to
2 a person who transports in the ordinary course of business goods out of
3 this state, the seller shall annually provide a statement in a form
4 prescribed by the department and retain the statement as a business
5 record.

6 ~~(6))~~ (3) Upon every nonprofit corporation and nonprofit
7 association engaging within this state in research and development, as
8 to such corporations and associations, the amount of tax with respect
9 to such activities shall be equal to the gross income derived from such
10 activities multiplied by the rate of 0.484 percent.

11 ~~((7))~~ (4) Upon every person engaging within this state in the
12 business of slaughtering, breaking and/or processing perishable meat
13 products and/or selling the same at wholesale only and not at retail;
14 as to such persons the tax imposed shall be equal to the gross proceeds
15 derived from such sales multiplied by the rate of 0.138 percent.

16 ~~((8))~~ (5) Upon every person engaging within this state in the
17 business of making sales, at retail or wholesale, of nuclear fuel
18 assemblies manufactured by that person, as to such persons the amount
19 of tax with respect to such business shall be equal to the gross
20 proceeds of sales of the assemblies multiplied by the rate of 0.275
21 percent.

22 ~~((9))~~ (6) Upon every person engaging within this state in the
23 business of manufacturing nuclear fuel assemblies, as to such persons
24 the amount of tax with respect to such business shall be equal to the
25 value of the products manufactured multiplied by the rate of 0.275
26 percent.

27 ~~((10))~~ (7) Upon every person engaging within this state in the
28 business of acting as a travel agent or tour operator; as to such
29 persons the amount of the tax with respect to such activities shall be
30 equal to the gross income derived from such activities multiplied by
31 the rate of 0.275 percent.

32 ~~((11))~~ (8) Upon every person engaging within this state in
33 business as an international steamship agent, international customs
34 house broker, international freight forwarder, vessel and/or cargo
35 charter broker in foreign commerce, and/or international air cargo
36 agent; as to such persons the amount of the tax with respect to only
37 international activities shall be equal to the gross income derived
38 from such activities multiplied by the rate of ~~((0.363))~~ 0.275 percent.

1 (~~(12)~~) (9) Upon every person engaging within this state in the
2 business of stevedoring and associated activities pertinent to the
3 movement of goods and commodities in waterborne interstate or foreign
4 commerce; as to such persons the amount of tax with respect to such
5 business shall be equal to the gross proceeds derived from such
6 activities multiplied by the rate of (~~(0.363)~~) 0.275 percent. Persons
7 subject to taxation under this subsection shall be exempt from payment
8 of taxes imposed by chapter 82.16 RCW for that portion of their
9 business subject to taxation under this subsection. Stevedoring and
10 associated activities pertinent to the conduct of goods and commodities
11 in waterborne interstate or foreign commerce are defined as all
12 activities of a labor, service or transportation nature whereby cargo
13 may be loaded or unloaded to or from vessels or barges, passing over,
14 onto or under a wharf, pier, or similar structure; cargo may be moved
15 to a warehouse or similar holding or storage yard or area to await
16 further movement in import or export or may move to a consolidation
17 freight station and be stuffed, unstuffed, containerized, separated or
18 otherwise segregated or aggregated for delivery or loaded on any mode
19 of transportation for delivery to its consignee. Specific activities
20 included in this definition are: Wharfage, handling, loading,
21 unloading, moving of cargo to a convenient place of delivery to the
22 consignee or a convenient place for further movement to export mode;
23 documentation services in connection with the receipt, delivery,
24 checking, care, custody and control of cargo required in the transfer
25 of cargo; imported automobile handling prior to delivery to consignee;
26 terminal stevedoring and incidental vessel services, including but not
27 limited to plugging and unplugging refrigerator service to containers,
28 trailers, and other refrigerated cargo receptacles, and securing ship
29 hatch covers.

30 (~~(13)~~) (10) Upon every person engaging within this state in the
31 business of disposing of low-level waste, as defined in RCW 43.145.010;
32 as to such persons the amount of the tax with respect to such business
33 shall be equal to the gross income of the business, excluding any fees
34 imposed under chapter 43.200 RCW, multiplied by the rate of 3.3
35 percent.

36 If the gross income of the taxpayer is attributable to activities
37 both within and without this state, the gross income attributable to
38 this state shall be determined in accordance with the methods of
39 apportionment required under RCW 82.04.460.

1 (~~(14)~~) (11) Upon every person engaging within this state as an
2 insurance agent, insurance broker, or insurance solicitor licensed
3 under chapter 48.17 RCW; as to such persons, the amount of the tax with
4 respect to such licensed activities shall be equal to the gross income
5 of such business multiplied by the rate of (~~(0.55)~~) 0.484 percent.

6 (~~(15)~~) (12) Upon every person engaging within this state in
7 business as a hospital, as defined in chapter 70.41 RCW, that is
8 operated as a nonprofit corporation or by the state or any of its
9 political subdivisions, as to such persons, the amount of tax with
10 respect to such activities shall be equal to the gross income of the
11 business multiplied by the rate of 0.75 percent through June 30, 1995,
12 and 1.5 percent thereafter. The moneys collected under this subsection
13 shall be deposited in the health services account created under RCW
14 43.72.900.

15 **Sec. 6.** RCW 82.04.270 and 1994 c 124 s 2 are each amended to read
16 as follows:

17 (1) Upon every person except persons taxable under (~~(subsections~~
18 ~~(1) or (8) of~~) RCW 82.04.260(5) or section 2 of this act engaging
19 within this state in the business of making sales at wholesale; as to
20 such persons the amount of tax with respect to such business shall be
21 equal to the gross proceeds of sales of such business multiplied by the
22 rate of 0.484 percent.

23 (2) The tax imposed by this section is levied and shall be
24 collected from every person engaged in the business of distributing in
25 this state articles of tangible personal property, owned by them from
26 their own warehouse or other central location in this state to two or
27 more of their own retail stores or outlets, where no change of title or
28 ownership occurs, the intent hereof being to impose a tax equal to the
29 wholesaler's tax upon persons performing functions essentially
30 comparable to those of a wholesaler, but not actually making sales.
31 The tax designated in this section may not be assessed twice to the
32 same person for the same article. The amount of the tax as to such
33 persons shall be computed by multiplying 0.484 percent of the value of
34 the article so distributed as of the time of such distribution. The
35 department of revenue shall prescribe uniform and equitable rules for
36 the purpose of ascertaining such value, which value shall correspond as
37 nearly as possible to the gross proceeds from sales at wholesale in
38 this state of similar articles of like quality and character, and in

1 similar quantities by other taxpayers. Delivery trucks or vans will
2 not under the purposes of this section be considered to be retail
3 stores or outlets.

4 **Sec. 7.** RCW 82.04.440 and 1994 c 124 s 4 are each amended to read
5 as follows:

6 (1) Every person engaged in activities which are within the purview
7 of the provisions of two or more of sections RCW 82.04.230 to
8 82.04.290, inclusive, shall be taxable under each paragraph applicable
9 to the activities engaged in.

10 (2) Persons taxable under RCW 82.04.250, 82.04.270, or
11 82.04.260(~~((+7))~~) (4) with respect to selling products in this state
12 shall be allowed a credit against those taxes for any (a) manufacturing
13 taxes paid with respect to the manufacturing of products so sold in
14 this state, and/or (b) extracting taxes paid with respect to the
15 extracting of products so sold in this state or ingredients of products
16 so sold in this state. Extracting taxes taken as credit under
17 subsection (3) of this section may also be taken under this subsection,
18 if otherwise allowable under this subsection. The amount of the credit
19 shall not exceed the tax liability arising under this chapter with
20 respect to the sale of those products.

21 (3) Persons taxable under RCW 82.04.240 or 82.04.260 (~~(sub~~
22 ~~section~~
23 ~~(4))~~) (1)(b) shall be allowed a credit against those taxes for any
24 extracting taxes paid with respect to extracting the ingredients of the
25 products so manufactured in this state. The amount of the credit shall
26 not exceed the tax liability arising under this chapter with respect to
27 the manufacturing of those products.

28 (4) Persons taxable under RCW 82.04.230, 82.04.240, or (~~(sub~~
29 ~~section~~
30 ~~(2), (3), (4), (5), or (7) of)~~) RCW 82.04.260 (1), (2), (4), or (6)
31 with respect to extracting or manufacturing products in this state
32 shall be allowed a credit against those taxes for any (i) gross
33 receipts taxes paid to another state with respect to the sales of the
34 products so extracted or manufactured in this state, (ii) manufacturing
35 taxes paid with respect to the manufacturing of products using
36 ingredients so extracted in this state, or (iii) manufacturing taxes
37 paid with respect to manufacturing activities completed in another
38 state for products so manufactured in this state. The amount of the
credit shall not exceed the tax liability arising under this chapter
with respect to the extraction or manufacturing of those products.

1 (5) For the purpose of this section:

2 (a) "Gross receipts tax" means a tax:

3 (i) Which is imposed on or measured by the gross volume of
4 business, in terms of gross receipts or in other terms, and in the
5 determination of which the deductions allowed would not constitute the
6 tax an income tax or value added tax; and

7 (ii) Which is also not, pursuant to law or custom, separately
8 stated from the sales price.

9 (b) "State" means (i) the state of Washington, (ii) a state of the
10 United States other than Washington, or any political subdivision of
11 such other state, (iii) the District of Columbia, and (iv) any foreign
12 country or political subdivision thereof.

13 (c) "Manufacturing tax" means a gross receipts tax imposed on the
14 act or privilege of engaging in business as a manufacturer, and
15 includes (i) the taxes imposed in RCW 82.04.240 and (~~(subsections (2),~~
16 ~~(3), (4), (5), and (7) of)~~) RCW 82.04.260 (1), (2), and (4), and (ii)
17 similar gross receipts taxes paid to other states.

18 (d) "Extracting tax" means a gross receipts tax imposed on the act
19 or privilege of engaging in business as an extractor, and includes the
20 tax imposed in RCW 82.04.230 and similar gross receipts taxes paid to
21 other states.

22 (e) "Business", "manufacturer", "extractor", and other terms used
23 in this section have the meanings given in RCW 82.04.020 through
24 82.04.212, notwithstanding the use of those terms in the context of
25 describing taxes imposed by other states.

26 NEW SECTION. **Sec. 8.** This act does not affect any existing right
27 acquired or liability or obligation incurred under the sections amended
28 or repealed in this act or under any rule or order adopted under those
29 sections, nor does it affect any proceeding instituted under those
30 sections.

31 NEW SECTION. **Sec. 9.** This act takes effect July 1, 1998.

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